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SUBJECT: Ambassador Meets with Argentine Mogul Eduardo Eurnekian,
Avatar of Globalization

Ref: 07 Buenos Aires 2390

¶1. (SBU) Ambassador met February 6 with Argentine CEO Eduardo Eurnekian, who has important investments in the United States, Argentina, Armenia, Uruguay, Ecuador, Italy, Morocco and China in agro-industry, energy, airports, infrastructure, construction, banking and real estate. An admirer of the United States, Eurnekian maintains several residences there and employs U.S. technology, products and management techniques in his businesses. Eurnekian (protect) offered to help the US as needed in Argentina and shared a range of insights with the Ambassador.

Dealing with Argentina

¶2. (SBU) Patience, Eurnekian confided to the Ambassador, is always needed in Argentina. The lack of strong institutions is palpable, as is the short-term focus of much government decision-making. This complicates doing business just as it does managing bilateral relations. A ray of hope, he said, is that President Cristina Fernandez de Kirchner likes things international. Eurnekian advised for the USG to find opportunities to expose her to international actors and norms -- getting her to participate substantially in gatherings like Davos or the Clinton Initiative should help. Right now in Argentina, he said, much is done by personal contacts. The business community is not united and is not capable of acting as an effective counter-weight to the government on most issues.

Trans-Andean Chile-Argentine Tunnel and Rail System

¶3. (SBU) Eurnekian is trying to get both governments to support a project for a new rail link between Mendoza, Argentina and Los Andes, Chile. He foresees massive potential growth in transit of goods from Brazil and Argentina to the Pacific and from Valparaiso to Mercosur over this route. He says his project should take about six years to complete and cost about 2.8 billion U.S. dollars. He has already talked to the French government about contributing to the financing, and is also looking to the Inter-American Development bank and the Corporacion Andino de Fomento (a multilateral financial institution based in Caracas -- www.caf.com).

Argentine Aviation System

¶4. (SBU) Eurnekian says his company Aeropuertos 2000 has met all of its obligations for investing in Argentina's airports as concessionaire for managing the facilities (six new terminals, eight new runways, etc.). (Reftel notes the opinions of local

representatives of all U.S. and other foreign carriers, as well as the International Air Transportation Association, IATA, who describe Aeropuertos 2000 services as sub-par and overpriced.) He argues that he has had no control over the poor airline service or dealing with the difficult union, security, and air control challenges. Nor is he optimistic that the Government of Argentina is ready to face up to the problems. A long-term vision is needed. Air fares and costs need to be liberalized so you can generate both low-fare carriers and allow higher fares for late bookings. Right now, the government is locked in a struggle with Aerolineas Argentinas, seeking greater control, rather than seeking to allow quality improvement through more competition. The airports in the interior of the country are suffering, he observed. Air travel is down in all airports except at Buenos Aires International airport. Customers tired of cancellations and delays are increasingly choosing buses or other transport. Internal tourism and business travel suffer as a result of rampant delays, paucity of flights, and poor connections between provincial cities (except via Buenos Aires).

Energy

15. (SBU) Eurnekian is teaming up with private Brazilian investment firm GP Investment/Investimentos, (www.gp.com.br) to bid on Exxon's assets in Argentina. While the GoA has made it very hard to operate in the petroleum and gas sector, pressure to find more resources will increase, as will the economy's dependence on these products. Eventually, he reasons, the government will need to let prices rise and to create additional incentives to explore and increase reserves. Eurnekian will be opening his first bio-diesel plant in Argentina soon, and plans two more in the future.

Agro-business

16. (SBU) This is where Argentina has a real advantage globally, in Eurnekian's opinion. He is investing heavily in additional Argentine production of field crops and livestock, and taking the advanced methods and technology used in Argentina to places like Morocco and China. In China, he is very optimistic about using Argentine genetic technology to strengthen the Chinese cattle stock.

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